

# Managed care gobbledygook

## Managed care terminology

The following terminology is thrown around with great abandon by health insurance mavens (see DrRich's exposition on managed care to really get yourself straightened out on this):

**Indemnity insurance** - This is traditional fee-for-service health insurance, outside the auspices of a managed care plan. You (or your employer) pays a premium, and your doctor and hospitals are reimbursed for the healthcare they provide for you. Doctors and patients love indemnity insurance, but it puts our society in the poor house.

**Managed Care Organization (MCO)** - A business entity ostensibly dedicated to using the principles of managed care to organize and provide comprehensive healthcare services for its subscribers. HMOs and PPOs (see below) are both managed care organizations.

**Health Maintenance Organization (HMO)** - These are simply MCOs in which a monthly premium is paid for each subscriber, and in return the HMO covers all medical costs - that is, all medical costs that are covered. All medical care is typically coordinated by a primary care physician (PCP), and subscribers must use hospitals and doctors who are within the HMO's network.

**Staff Model HMO** - An HMO that employs its physicians instead of contracting with them. Relatively rare, since it's much harder to fire an employee than it is to merely let a contract expire.

**Preferred Provider Organization (PPO)** - Generally a large group of doctors who negotiate with an insurance plan (such as an HMO) to provide care for the plan's subscribers at a discounted rate.

**Point-of-service plan (POS)** - An insurance plan that has both HMO and PPO aspects. Subscribers can use the defined HMO program, in which all services are covered (again, except for the services that aren't); or they can go outside of the defined HMO (i.e., to doctors in a PPO), in which case the subscriber often pays 20% of the cost of covered services.